



ARLINGTON FINANCE COMMITTEE
MINUTES OF MEETING
COMMUNITY SAFETY BUILDING
O'NEILL ROOM
7:30 PM 3/19/18

ATTENDEES:

Deyst*	White*	Caccavaro*	Kellar*	McKenna*
DeCoursey*	Wallach*	Harmer*	Gibian*	
Tosti*	Foskett	Bayer	Duvadie	
Hansberry*	Beck*	Jones*	Deshler*	
Franclemont*	Howard*	Fanning	Levy*	Diggins*

*Indicates present **Indicates present electronically

VISITORS: Retirement Board Administrator Rich Greco, Michael Ruderman

MINUTES of 3/14/18 accepted as corrected. Unanimous.

ART 27 SURVIVOR BENEFITS: Greco, using Ref 1, explained a 2012 local option that would increase the survivor benefit for employees who retired before 1996 to \$12000/yr from \$9,000. There are 24 survivors that would benefit and 24 other survivors who could benefit at an initial cost of \$47k/yr w/ an estimated total cost of \$572k to the unfunded pension liability.

VOTED favorable action 14-0-1

ART 43 PENSION ADJUSTMENT: Greco described this annual article that protects the retirement income of some retirees from inflation. Last year this provision affected 50 people and cost the retirement system \$15k.

VOTED favorable action 14-0-1

ART 44 OPEB: Greco discussed the Town's OPEB Trust (Ref 2). The current market value is almost \$13m in various Vanguard funds against a \$201m obligation. The Town's funding effort, however, helps support the Town's bond rating. The appropriation will consist of \$481,982 keyed to the non-contributory pension obligation, \$155,000 from the retiree's health care, and \$300,000 from the health care trust fund.

VOTED \$936,982 14-0-1 White to verify w/ Town Manager.

ART 46 OVERLAY RESERVE: The Chair recommended the same amount as last year
VOTED \$200,000 Unanimous

ART 48 USE OF FREE CASH: The Chair recommended continuing the policy of appropriating half of the free cash certified last summer to reduce the tax rate.

VOTED \$4,593,375 Unanimous

ART 50 LONG TERM STABILIZATION FUND The Chair recommended the same amount as last year. This is an emergency fund now worth about \$3m.

VOTED \$100,000 Unanimous

ART 29 COLLECTIVE BARGAINING: The Chair reported that since several unions had either reached agreement or expected to soon, in the interest of encouraging progress, he suggested the FinCom delay a vote.

VOTED to report at Town Meeting. Unanimous.

ART 34 SEWERS: W&S SUBCOM Gibian recommended authorizing borrowing from MWRA at no interest cost to maintain the sewers

VOTED \$800,000 Unanimous

ART 35 WATER: W&S SUBCOM Gibian recommended authorizing borrowing from MWRA at no interest cost to maintain the water mains.

VOTED \$1,300,000 Unanimous

BUD HUMAN RESOURCES: HumRes SubCom White recommended the budget as printed. She noted the training line item covers part of the police & fire exams. She defended the step 5 hire as being very well qualified for a demanding job.

VOTED \$332,013

BUD COMPTROLLER: Fiscal SubCom White provided a revised budget sheet (Ref 3) with the telephone operations moved into IT. Interviews for replacement comptroller have begun.

VOTED \$319,278

BUD IT: Fiscal SubCom White provided a revised budget sheet (Ref 4). She noted that long time operators have retired and there is no need to replace them. She suggested that the sums be used to secure the doors in AHS. She will consult with the Deputy Town Manager.

BUD TREASURER: Fiscal SubCom Beck recommended the budget as printed. He noted that the finance cost line item will pay for banking services.

VOTED \$667,866 Unanimous

BUD POSTAGE: Fiscal SubCom Beck recommended the budget as printed. The travel line item is for travel to Waltham post office.

VOTED \$174,371 Unanimous

BUD ASSESSORS: Fiscal SubCom Kellar recommended the budget as printed. He said the end of the 9 yr assessment cycle is approaching. Also the computer maintenance pays for access to the Patriot Properties database.

VOTED \$319,701 Unanimous

BUD PARKING: Fiscal SubCom Beck recommended the budget as printed. The offsets are from the parking district fund.

VOTED \$76,905. Unanimous.

BUD DPW: DPW SubCom Deshler recommended the DPW division budgets as printed with a few exceptions. All votes unanimous.

Natural Resources: Out of grade pay is wrong but Director does not want to change it. Expenses increased to cover holiday lights and other supplies. Ref 4

VOTED \$1,568,271

Field Maintenance: At least \$50k from users

VOTED \$50,000

Engineering: the increase is for water projects and paving

VOTED \$134,650

Administration: The balance in the recycling fund is \$58k.

VOTED \$205,049

Highway: 5 yr averages used

VOTED \$1,652,127

Removal of Ice & Snow: The budget is 80% of 5 yr average. This year's expense is level funded.

VOTED 1,140,708

Motor Equip Repair: Will check the stipend. Possible revote.

VOTED \$431,531

Solid Waste: Cost of recycling TVs, & electronic waste increasing.

VOTED \$3,715,751

Cemeteries: New mowing contract reduced cost.

VOTED \$253,503

Street Lights: Town maintains poles.

VOTED 105,000

Traffic Signals:

VOTED 100,000

COMMITTEE: Will meet Wed unless snow emergency.

RESERVE FUND Balance: \$1,436,230.17

Peter Howard 3/20/18 Revised 3/21/18

NOTE: For consistency, the article numbers are as listed in the draft warrant.

Ref 1 Section 101 Survivor Benefit

Ref 2 Town of Arlington OPEB trust.

Ref 3 Comptroller Budget

Ref 4 Natural Resources Budget

Article 25

Section 101 Survivor benefit:

Any member who retired between July 1, 1937 and November 7, 1996 on Accidental Disability Retirement were not allowed to choose a continuing benefit for their spouse. The spouse could get a continuing benefit if the retiree died from the injury or illness from which they retired from. Since November 8, 1996 Accidental Disability Retirees can now choose a continuing benefit and those retirees after November 8, 1996 are not included in the legislation.

When the disability retiree prior to November 7, 1996 passed away the spouse and only the spouse could only receive a Section 101 Widows Annual Allowance, currently that allowance is \$9,000 annually or \$750 a month. No other family member other than a spouse can receive this benefit.

Chapter 139 Acts of 2012 allows Board with Legislative Body's approval to increase this amount to \$12,000.

There are 24 survivors currently receiving this benefit With an average age of 80 Years old and with an average allowance of \$10,203 annually. There are also 29 survivors per the report who could get this benefit with an average age of 72. Since this report 2 retiree have passed away and they passed away of the injury or illness and the spouse will not receive this benefit.

The benefit calculated would cost \$ 47,234 a year with a 4% amortization over the 17 years of the funding schedule and would total \$572,000.

The Board is not asking for any additional funds as to comply with the Board's 2014 agreement with the Town Manager and the Finance Committee not to increase the appropriation by more than 5.5% unless there is an operational override and then the appropriation will increase to 6%

Exhibit I
Increase in Unfunded Actuarial Accrued Liability
Section 101 Benefit Increase to \$12,000

Increase in Unfunded Actuarial Accrued Liability	
Survivors	\$360,287
Retirees	\$211,346
Total	\$571,633

Survivors	
Number	24
Average Age	80 years
Average Benefit Before Change	\$10,203

Retirees	
Number	29
Average Age	72 years

Exhibit II
Actuarial Methods and Assumptions

ACTUARIAL METHODS

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method has been used in this valuation. Under this method, the normal cost is the amount calculated as the level percentage of compensation necessary to fully fund the prospective benefits from each member's entry age to retirement age.

The actuarial accrued liability represents the theoretical accumulation of all prior years' normal costs for the plan members as if the program had always been in effect. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over plan assets.

Fiscal Year Adjustment

The actuarial results are adjusted by the valuation interest rate and salary scale to the beginning of Fiscal Year 2018. The unfunded actuarial accrued liability is rolled forward with normal cost and further adjusted by anticipated contributions and interest.

ACTUARIAL ASSUMPTIONS

Investment Return

7.25% per year net of investment expenses.

Cost-of-Living Increases

A 3% COLA on the first \$15,000 of a member's retirement allowance is assumed to be granted every year.

Mortality

RP-2014 table projected back to 2006 and generational projection using MP-2016 (sex-distinct). Post-employment the healthy annuitant table is used.

Disabled Life Mortality

RP-2014 table projected back to 2006 and generational projection using MP-2016, set-forward by 2 years (sex-distinct). Death is assumed to be due to the same cause as the disability 40% of the time.

Family Composition

Members assumed married with 2 dependent children – one male and one female both age 15; age difference between member and spouse assumed to be 3 years (the male being the older).

Contribution Timing

Contributions are assumed to be made at the beginning of the fiscal year.

Valuation Date

January 1, 2017.

Total Trust Aggregate

As of December 31, 2017

Trailing Net Performance

	Market Value (\$)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Trust Aggregate										
<i>Custom Benchmark</i>	12,996,606	100.0	--	3.7	16.2	6.6	7.4	--	7.7	Dec-10
				3.9	17.0	7.0	7.6	--	7.8	Dec-10
Total Domestic Equity										
<i>Spliced Total Stock Market Index</i>	3,407,584	26.2	26.2	6.3	21.2	11.1	15.5	--	14.3	Dec-10
				6.3	21.2	11.1	15.6	8.7	14.4	Dec-10
Vanguard Total Stock Market Fund	3,407,584	26.2	100.0	6.3	21.2	11.1	15.5	--	14.3	Dec-10
<i>Spliced Total Stock Market Index</i>				6.3	21.2	11.1	15.6	8.7	14.4	Dec-10
eV US All Cap Equity Net Median				5.7	18.8	9.0	13.8	7.9	12.4	Dec-10
eV US All Cap Equity Net Rank				37	39	24	19	--	16	Dec-10
International Developed Markets Equity Assets										
<i>Spliced Developed (ex. U.S.) Index</i>	3,053,172	23.5	23.5	4.5	26.4	8.9	7.4	--	5.9	Dec-10
				4.9	26.3	8.8	8.5	2.2	7.6	Dec-10
Vanguard Developed Markets Index	3,053,172	23.5	100.0	4.5	26.4	8.9	--	--	7.3	Aug-13
<i>Spliced Developed (ex. U.S.) Index</i>				4.9	26.3	8.8	8.5	2.2	7.5	Aug-13
Global Developed xUS Equity Median				4.4	27.8	9.3	9.3	3.7	8.2	Aug-13
Global Developed xUS Equity Rank				48	59	57	--	--	70	Aug-13
International Emerging Markets Equity Assets										
<i>Spliced Emerging Markets Index</i>	1,783,141	13.7	13.7	6.3	31.4	7.5	--	--	6.5	Aug-13
				6.7	31.0	7.4	3.7	1.4	6.5	Aug-13
Vanguard Emerging Markets	1,783,141	13.7	100.0	6.3	31.4	7.5	--	--	6.5	Aug-13
<i>Spliced Emerging Markets Index</i>				6.7	31.0	7.4	3.7	1.4	6.5	Aug-13
eV Emg Mkts Large Cap Equity Net Median				6.3	36.5	9.2	5.4	2.6	7.5	Aug-13
eV Emg Mkts Large Cap Equity Net Rank				51	90	85	--	--	70	Aug-13

Ref 2

Total Trust Aggregate

As of December 31, 2017

	Market Value (\$)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Investment Grade Bonds Assets										
BBgBarc US Aggregate TR	1,780,758	13.7	13.7	0.4	3.6	2.1	1.9	--	2.8	Dec-10
Vanguard Total Bond Market Index Fund								4.0	3.0	Dec-10
BBgBarc US Aggregate TR	1,780,758	13.7	100.0	0.4	3.6	2.1	1.9	--	2.8	Dec-10
eV US Core Fixed Inc Net Median				0.4	3.5	2.2	2.1	4.0	3.0	Dec-10
eV US Core Fixed Inc Net Rank				64	3.8	2.4	2.3	4.4	3.3	Dec-10
					65	79	77	--	89	Dec-10
TIPS Assets										
BBgBarc US TIPS TR	1,328,496	10.2	10.2	1.2	2.9	1.9	0.1	--	2.6	Dec-10
Vanguard Inflation-Protected Securities Fund				1.3	3.0	2.0	0.1	3.5	2.7	Dec-10
BBgBarc US TIPS TR	1,328,496	10.2	100.0	1.2	2.9	1.9	0.1	--	2.6	Dec-10
eV US TIPS / Inflation Fixed Inc Net Median				1.3	3.0	2.0	0.1	3.5	2.7	Dec-10
eV US TIPS / Inflation Fixed Inc Net Rank				75	3.1	1.9	0.1	3.6	2.4	Dec-10
					66	52	51	--	36	Dec-10
High Yield Bond Assets										
BBgBarc US High Yield TR	1,094,615	8.4	8.4	0.1	7.1	5.6	5.2	--	6.9	Dec-10
Vanguard High Yield Corporate				0.5	7.5	6.4	5.8	8.0	7.2	Dec-10
BBgBarc US High Yield TR	1,094,615	8.4	100.0	0.1	7.1	5.6	5.2	--	6.9	Dec-10
eV US High Yield Fixed Inc Net Median				0.5	7.5	6.4	5.8	8.0	7.2	Dec-10
eV US High Yield Fixed Inc Net Rank				88	7.1	5.6	5.2	7.2	6.7	Dec-10
					47	52	50	--	38	Dec-10
Short-Term Bond Assets										
BBgBarc US Govt/Credit 1-5 Yr. TR	548,839	4.2	4.2	-0.3	1.2	1.2	--	--	1.2	Aug-13
Vanguard Short-Term Bond Index				-0.3	1.3	1.3	1.1	2.5	1.3	Aug-13
BBgBarc US Govt/Credit 1-5 Yr. TR	548,839	4.2	100.0	-0.3	1.2	1.2	--	--	1.2	Aug-13
eV US Short Duration Fixed Inc Net Median				-0.3	1.3	1.3	1.1	2.5	1.3	Aug-13
eV US Short Duration Fixed Inc Net Rank				99	1.4	1.2	1.1	2.2	1.2	Aug-13
					64	52	--	--	55	Aug-13

	2016 Actual	2017 Actual	2018 Budget	2019 Budget	\$ Change	% Change
0113481 COMPTROLLER SALARIES						
5100 SALARIES & WAGES	317,904	348,324	347,545	311,333	(36,212)	-10.42%
5101 PART TIME SALARIES			2,500	2,500	-	0.00%
5103 OVERTIME	27,143	8,860	2,500	2,500	-	0.00%
5156 LONGEVITY	4,843	6,228	5,034	5,993	959	19.05%
5199 OTHER BENEFITS		-	6,000	6,000	-	0.00%
0113481 COMPTROLLER'S SALARIES	349,890	363,412	363,579	328,326	(35,253)	-9.70%
0113482 COMPTROLLER EXPENSES						
5209 IN-STATE TRAVEL	1,992	409	3,350	3,350	-	0.00%
5210 OUT-OF-STATE TRAVEL	2,409	5,759	3,000	3,000	-	0.00%
5215 TELEPHONE:EXPENSES	48,600	50,534	70,000	-	(70,000)	-100.00%
5217 DUES/SUBSCRIPTIONS	640	830	1,000	1,000	-	0.00%
5218 TRAINING	3,531	1,743	16,197	16,197	-	0.00%
5223 OFFICE SUPPLIES	4,552	2,130	2,400	2,400	-	0.00%
5224 OTHER SUPPLIES		158	500	500	-	0.00%
5236 OTHER PURCHASED SERVICES	3,677	49,897	350	350	-	0.00%
5260 CLEAN/CLOTH/TRAIN	900	600	900	900	-	0.00%
5299 OTHERWISE UNCLASSIFIED	8	1,031	2,000	2,000	-	0.00%
0113482 COMPTROLLER'S EXPENSES	66,309	113,091	99,697	29,697	(70,000)	-70.21%
COMPTROLLER APPROPRIATION TOTAL	416,199	476,503	463,276	358,023	(105,253)	-22.72%
OFFSETS	(38,486)	(38,534)	(39,097)	(38,745)	352	-0.90%
COMPTROLLER TAXATION TOTAL	377,713	437,969	424,179	319,278	(104,901)	-24.73%

FY 2019 SALARY DETAIL													
	Previous	Job	FY2019						FY2018	FY2019			
			FTE	BU	Grade	Step	Min	Max	Total	New Pay	Base	Step	Longevity
COMPTROLLER													
VACANT	VISCAY	COMPTROLLER	1.00	MGMT	2		92,737	134,010	131,050	131,050	0	0	131,050
FIELDS		ASSISTANT COMPTROLLER	1.00	SEIU	9	8	61,729	79,873	74,564	79,873	0	4,793	84,666
ADDORISIO	BUONO	JUNIOR ACCOUNTANT	1.00	OFFA	4	8	37,994	49,165	51,375	49,165	0	700	49,865
SHEA		PRIN ACCT CLERK/BOOKKEEPER	1.00	OFFA	4	8	37,994	49,165	42,433	49,165	0	500	49,665
		MAIL STIPEND							-	2,080			2,080
APPROPRIATION TOTAL:									347,545	311,333	0	5,993	317,328
Water/Sewer Offsets								(39,097)	(38,745)	(38,745)			(38,745)
TAXATION TOTAL:			5.30					308,448	272,588	270,508	0	5,993	276,581

① Interventions began
Solving + more to follow

	2016 Actual	2017 Actual	2018 Budget	2019 Budget	\$ Change	% Change
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0140181 NATURAL RESOURCES SALARIES

5100 SALARIES & WAGES	741,061	766,924	933,004	970,007	37,003	3.97%
5103 OVERTIME	73,273	73,027	82,940	80,000	(2,940)	-3.54%
5111 DOUBLE TIME	8,683	25,765	19,500	21,500	2,000	10.26%
5119 OUT OF GRADE PAY	12,691	7,122	9,110	1,590	(7,520)	-82.55%
5156 LONGEVITY	7,090	8,954	9,975	10,174	199	1.99%

0140181 NATURAL RESOURCES SALARIES	842,798	881,791	1,054,529	1,083,271	28,742	2.73%
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0140182 NATURAL RESOURCES EXPENSES

5202 MAINTENANCE	126,290	198,909	330,000	300,000	(30,000)	-9.09%
5218 TRAINING	3,305	3,203	2,500	4,000	1,500	60.00%
5224 OTHER SUPPLIES	74,426	102,349	61,800	90,000	28,200	45.63%
5236 OTHER PURCHASED SERVICES	3,880	18,017	10,000	15,000	5,000	50.00%
5241 UNIFORMS, BADGES, & GLOVES	5,200	4,400	6,000	6,000	0	0.00%
5289 TREE PLANTING	19,435	41,135	40,000	65,000	25,000	62.50%
52907 HISTORIC SCULPTURE MAINTENANCE	-	-	5,000	5,000	0	0.00%

0140182 NATURAL RESOURCES EXPENSES	232,535	368,012	455,300	485,000	29,700	6.52%
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NATURAL RESOURCES TOTAL	1,075,333	1,249,804	1,509,829	1,568,271	58,442	3.87%
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① Playgrounds
 ② Walkway lights - Jeff cutter house lights (interior)
 ③ Planning
 ④ Under Sam
 ⑤ Mistake 10K requested